

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2015 AND 2014

ABBE, INC. AND SUBSIDIARIES
TABLE OF CONTENTS
YEARS ENDED JUNE 30, 2015 AND 2014

| | |
|---|-----------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| CONSOLIDATED FINANCIAL STATEMENTS | |
| CONSOLIDATED STATEMENTS OF FINANCIAL POSITION | 3 |
| CONSOLIDATED STATEMENTS OF ACTIVITIES | 5 |
| CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES | 7 |
| CONSOLIDATED STATEMENTS OF CASH FLOWS | 9 |
| NOTES TO CONSOLIDATED FINANCIAL STATEMENTS | 10 |
| SUPPLEMENTARY INFORMATION | |
| ABBE, INC. AND SUBSIDIARIES | |
| CONSOLIDATING STATEMENT OF FINANCIAL POSITION | 28 |
| CONSOLIDATING STATEMENT OF ACTIVITIES | 32 |
| CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES | |
| PROGRAM SERVICES | 34 |
| SUPPORTING ACTIVITIES | 36 |
| CHATHAM OAKS, INC. AND AFFILIATE | |
| CONSOLIDATING STATEMENT OF FINANCIAL POSITION | 38 |
| CONSOLIDATING STATEMENT OF ACTIVITIES | 40 |
| CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES | |
| PROGRAM SERVICES | 41 |
| SUPPORTING ACTIVITIES | 42 |

INDEPENDENT AUDITORS' REPORT

Board of Directors
Abbe, Inc.
Hiawatha, Iowa

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Abbe, Inc. and its subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2015 and 2014, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Abbe, Inc. and its subsidiaries as of June 30, 2015 and 2014, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information for Abbe, Inc. and subsidiaries and Chatham Oaks, Inc. and Affiliate is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, changes in their of net assets, and cash flows of the individual affiliates, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cedar Rapids, Iowa
November 24, 2015

FINANCIAL STATEMENTS

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

| ASSETS | <u>2015</u> | <u>2014</u> |
|--|---------------------------------|---------------------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 7,991,001 | \$ 6,393,173 |
| Restricted Cash | 103,720 | 108,718 |
| Certificates of Deposit | 2,293,720 | 1,242,771 |
| Receivables: | | |
| Accounts Receivable, Less Allowance for Doubtful Accounts of \$38,500 in 2015 and \$86,900 in 2014 | 2,735,070 | 1,924,741 |
| Contributions Receivable, Current Portion | 819,683 | 818,539 |
| Prepaid Expenses | 423,256 | 240,169 |
| Total Current Assets | <u>14,366,450</u> | <u>10,728,111</u> |
| LONG-TERM ASSETS | | |
| Investments | <u>2,185,895</u> | <u>2,425,877</u> |
| Total Long-Term Assets | <u>2,185,895</u> | <u>2,425,877</u> |
| PROPERTY AND EQUIPMENT | | |
| Land | 818,018 | 681,648 |
| Buildings and Improvements | 9,497,518 | 9,191,440 |
| Leasehold Improvements | 307,862 | 301,877 |
| Furniture and Equipment | 2,556,497 | 2,392,315 |
| Vehicles | 602,145 | 462,476 |
| Total | <u>13,782,040</u> | <u>13,029,756</u> |
| Less: Accumulated Depreciation | <u>(5,904,537)</u> | <u>(5,170,319)</u> |
| Total Property and Equipment | <u>7,877,503</u> | <u>7,859,437</u> |
| OTHER ASSETS | | |
| Beneficial Interest in Assets Held by Community Foundations | 182,379 | 173,644 |
| Debt-Issuance Costs and Tax Credit Fees, Less Accumulated Amortization of \$16,598 in 2015 and \$14,151 in 2014 | <u>21,982</u> | <u>24,429</u> |
| Total Other Assets | <u>204,361</u> | <u>198,073</u> |
| Total Assets | <u><u>\$ 24,634,209</u></u> | <u><u>\$ 21,211,498</u></u> |

See accompanying Notes to Financial Statements.

| | <u>2015</u> | <u>2014</u> |
|--|-----------------------------|-----------------------------|
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ 681,344 | \$ 490,381 |
| Accrued Expenses: | | |
| Accrued Vacations | 891,392 | 863,149 |
| Other Accrued Expenses | 883,305 | 723,768 |
| Resident Trust Funds | 25,723 | 28,824 |
| Deferred Income | 64,280 | 310,977 |
| Notes Payable, Current Maturities | 76,516 | 95,898 |
| Due to Linn County | <u>102,842</u> | <u>102,842</u> |
| Total Current Liabilities | 2,725,402 | 2,615,839 |
| LONG-TERM LIABILITIES | | |
| Notes Payable, Less Current Maturities Above | <u>2,022,380</u> | <u>2,760,526</u> |
| Total Liabilities | 4,747,782 | 5,376,365 |
| NET ASSETS | | |
| Unrestricted | 18,621,853 | 14,515,034 |
| Temporarily Restricted | 1,246,985 | 1,302,510 |
| Permanently Restricted | <u>17,589</u> | <u>17,589</u> |
| Total Net Assets | <u>19,886,427</u> | <u>15,835,133</u> |
| Total Liabilities and Net Assets | <u><u>\$ 24,634,209</u></u> | <u><u>\$ 21,211,498</u></u> |

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | | | |
|--|---------------|---------------------------|---------------------------|---------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
| PUBLIC SUPPORT AND REVENUE | | | | |
| Client and Resident Fees | \$ 24,477,446 | \$ - | \$ - | \$ 24,477,446 |
| Other Service Fees | 869,489 | - | - | 869,489 |
| Grants | 832,896 | 794,133 | - | 1,627,029 |
| Auxiliary | 110,435 | - | - | 110,435 |
| Net Investment Income | 65,581 | - | - | 65,581 |
| Contributions | 195,284 | - | - | 195,284 |
| Rent | 78,447 | - | - | 78,447 |
| Gain (Loss) on Disposal of Fixed Assets | 27,138 | - | - | 27,138 |
| Other | 45,739 | - | - | 45,739 |
| Equity in Net Loss of Investee | (820) | - | - | (820) |
| Net Assets Released from Restrictions for Operations | 822,447 | (822,447) | - | - |
| Total Public Support and Revenue | 27,524,082 | (28,314) | - | 27,495,768 |
| EXPENSE | | | | |
| Program Services: | | | | |
| Mental Health Services | 9,978,511 | - | - | 9,978,511 |
| Care Facilities | 10,106,503 | - | - | 10,106,503 |
| Services for the Aging | 4,094,546 | - | - | 4,094,546 |
| Total Program Services | 24,179,560 | - | - | 24,179,560 |
| Supporting Activities: | | | | |
| Management and General | 1,580,604 | - | - | 1,580,604 |
| Fundraising | 23,332 | - | - | 23,332 |
| Total Supporting Activities | 1,603,936 | - | - | 1,603,936 |
| Total Expenses | 25,783,496 | - | - | 25,783,496 |
| INCOME (LOSS) FROM OPERATIONS | 1,740,586 | (28,314) | - | 1,712,272 |
| NON-OPERATING REVENUE (EXPENSE) | | | | |
| Unrealized Gain (Loss) on Investments | 36,301 | - | - | 36,301 |
| Total Non-Operating Revenue (Expense) | 36,301 | - | - | 36,301 |
| EXCESS (DEFICIT) OF REVENUE OVER EXPENSE | 1,776,887 | (28,314) | - | 1,748,573 |
| Gain on Acquisition | 2,302,721 | - | - | 2,302,721 |
| Net Assets Released from Restriction for Capital | 27,211 | (27,211) | - | - |
| | 2,329,932 | (27,211) | - | 2,302,721 |
| CHANGE IN NET ASSETS | 4,106,819 | (55,525) | - | 4,051,294 |
| Net Assets - Beginning of Year | 14,515,034 | 1,302,510 | 17,589 | 15,835,133 |
| NET ASSETS - END OF YEAR | \$ 18,621,853 | \$ 1,246,985 | \$ 17,589 | \$ 19,886,427 |

See accompanying Notes to Financial Statements.

2014

| Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---------------|---------------------------|---------------------------|---------------|
| \$ 22,811,288 | \$ - | \$ - | \$ 22,811,288 |
| 868,343 | | | 868,343 |
| 966,445 | 814,540 | - | 1,780,985 |
| 113,916 | - | - | 113,916 |
| 387,838 | 3,798 | - | 391,636 |
| 191,918 | - | - | 191,918 |
| 54,160 | - | - | 54,160 |
| (121,993) | - | - | (121,993) |
| 79,812 | - | - | 79,812 |
| (816) | - | - | (816) |
| 741,659 | (741,659) | - | - |
| 26,092,570 | 76,679 | - | 26,169,249 |
| 9,885,873 | - | - | 9,885,873 |
| 9,518,414 | - | - | 9,518,414 |
| 4,135,988 | - | - | 4,135,988 |
| 23,540,275 | - | - | 23,540,275 |
| 1,694,533 | - | - | 1,694,533 |
| 34,373 | - | - | 34,373 |
| 1,728,906 | - | - | 1,728,906 |
| 25,269,181 | - | - | 25,269,181 |
| 823,389 | 76,679 | - | 900,068 |
| 20,070 | - | - | 20,070 |
| 20,070 | - | - | 20,070 |
| 843,459 | 76,679 | - | 920,138 |
| - | - | - | - |
| - | - | - | - |
| - | - | - | - |
| 843,459 | 76,679 | - | 920,138 |
| 13,671,575 | 1,225,831 | 17,589 | 14,914,995 |
| \$ 14,515,034 | \$ 1,302,510 | \$ 17,589 | \$ 15,835,133 |

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | | |
|---------------------------------|----------------------|--------------------------|----------------------|
| | Program Services | Supporting Activities | Total |
| Personnel: | | | |
| Wages and Salaries | \$ 14,417,792 | \$ 657,424 | \$ 15,075,216 |
| Employee Benefits | 2,902,572 | 189,617 | 3,092,189 |
| Payroll Taxes | 1,017,439 | 51,906 | 1,069,345 |
| | <u>18,337,803</u> | <u>898,947</u> | <u>19,236,750</u> |
| Resident Services: | | | |
| Food | 397,657 | - | 397,657 |
| Pharmacy and Medical Supplies | 37,096 | - | 37,096 |
| Other Services | 142,694 | - | 142,694 |
| | <u>577,447</u> | <u>-</u> | <u>577,447</u> |
| Donations | - | - | - |
| Professional Fees | 76,604 | 131,950 | 208,554 |
| Consulting Fees | 734,378 | 6,178 | 740,556 |
| Advertising | 114,371 | 1,604 | 115,975 |
| Supplies | 425,084 | 55,326 | 480,410 |
| Telephone Services | 235,544 | 30,743 | 266,287 |
| Computer Services | 315,823 | 84,461 | 400,284 |
| Occupancy | 1,323,354 | 109,005 | 1,432,359 |
| Travel | 452,741 | 15,677 | 468,418 |
| Interest | - | 83,207 | 83,207 |
| Depreciation and Amortization | 700,350 | 75,851 | 776,201 |
| Insurance | 236,212 | 12,750 | 248,962 |
| Repairs | 466,175 | 39,866 | 506,041 |
| Staff Development | 36,260 | 13,232 | 49,492 |
| Dues and Subscriptions | 19,745 | 2,780 | 22,525 |
| Provision for Doubtful Accounts | - | 11,991 | 11,991 |
| Fundraising Supplies | - | 23,332 | 23,332 |
| Other | 127,669 | 7,036 | 134,705 |
| | <u>5,264,310</u> | <u>704,989</u> | <u>5,969,299</u> |
| Total Expenses | <u>\$ 24,179,560</u> | <u>\$ 1,603,936</u> | <u>\$ 25,783,496</u> |

See accompanying Notes to Financial Statements.

| 2014 | | |
|----------------------|--------------------------|----------------------|
| Program Services | Supporting Activities | Total |
| \$ 13,434,589 | \$ 622,912 | \$ 14,057,501 |
| 2,867,185 | 166,147 | 3,033,332 |
| 957,338 | 46,831 | 1,004,169 |
| 17,259,112 | 835,890 | 18,095,002 |
| 447,820 | - | 447,820 |
| 57,118 | - | 57,118 |
| 132,513 | - | 132,513 |
| 637,451 | - | 637,451 |
| 200 | - | 200 |
| 114,520 | 112,434 | 226,954 |
| 887,041 | 20,465 | 907,506 |
| 108,495 | 865 | 109,360 |
| 457,891 | 46,308 | 504,199 |
| 192,792 | 32,789 | 225,581 |
| 395,460 | 77,709 | 473,169 |
| 1,341,153 | 97,646 | 1,438,799 |
| 388,633 | 24,109 | 412,742 |
| - | 91,975 | 91,975 |
| 798,802 | 57,543 | 856,345 |
| 256,993 | 4,617 | 261,610 |
| 549,910 | 50,237 | 600,147 |
| 24,669 | 11,949 | 36,618 |
| 23,242 | 2,036 | 25,278 |
| - | 182,118 | 182,118 |
| - | 34,373 | 34,373 |
| 103,911 | 45,843 | 149,754 |
| 5,643,712 | 893,016 | 6,536,728 |
| <u>\$ 23,540,275</u> | <u>\$ 1,728,906</u> | <u>\$ 25,269,181</u> |

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2015 AND 2014

| | 2015 | 2014 |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in Net Assets | \$ 4,051,294 | \$ 920,138 |
| Adjustments to Reconcile Change in Net Assets to Net Cash | | |
| Provided by Operating Activities: | | |
| Interest and Dividends Reinvested | (54,106) | (68,267) |
| Net Realized and Unrealized Gain on Investments | (28,263) | (317,198) |
| Provision for Bad Debts | 11,991 | 182,118 |
| Depreciation and Amortization | 776,201 | 856,345 |
| Contributed Assets from Acquisition | (160,128) | - |
| Loss on Disposal of Property and Equipment | 27,138 | 121,993 |
| Change in Beneficial Interest in Assets Held by | | |
| Community Foundations | (8,735) | (25,244) |
| Amortization of Below Market Interest Rate Loan | 22,888 | 24,159 |
| Contributions Restricted for Long-Term Purposes | (1,144) | (29,874) |
| (Increase) Decrease in Restricted Cash Deposits | 1,897 | (44,316) |
| Effects of Changes in Operating Assets and Liabilities: | | |
| Receivables | (517,708) | 843,085 |
| Inventory | - | 18,637 |
| Prepaid Expenses | (160,837) | 99,856 |
| Accounts Payable, Accrued Expenses and | | |
| Due to Linn County | 172,612 | 55,161 |
| Deferred Income | (261,419) | (33,124) |
| Net Cash Provided by Operating Activities | <u>3,871,681</u> | <u>2,603,469</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of Property and Equipment | (704,214) | (1,285,125) |
| Proceeds from Sales of Property and Equipment | 375,415 | 77,689 |
| Contributed Assets from Acquisition | (437,184) | - |
| Transfer from Community Foundation | - | 616 |
| Proceeds from Sales of Investments | 866,899 | 1,457,516 |
| Purchases of Investments and Certificates of Deposits | <u>(1,595,497)</u> | <u>(901,021)</u> |
| Net Cash Used by Investing Activities | (1,494,581) | (650,325) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Contributions Restricted for Long-Term Purposes | 1,144 | 29,874 |
| Proceeds from Notes Payable | - | 690,000 |
| Payments on Notes Payable | <u>(780,416)</u> | <u>(99,300)</u> |
| Net Cash Provided (Used) by Financing Activities | <u>(779,272)</u> | <u>620,574</u> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,597,828 | 2,573,718 |
| Cash and Cash Equivalents - Beginning of Year | <u>6,393,173</u> | <u>3,819,455</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 7,991,001</u></u> | <u><u>\$ 6,393,173</u></u> |

See accompanying Notes to Financial Statements.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Abbe, Inc. (the Organization) was incorporated on August 7, 1991 in the state of Iowa for the promotion of mental health care and the prevention of mental illness through community education. The Organization is the sole voting member of the following entities:

The Abbe Center for Community Mental Health, Inc. (the Center) provides outpatient psychiatric services, psychotherapy and supportive treatment services for persons with mental health problems and psychiatric illnesses with the purpose of assisting those persons to prevent hospitalization and remain independently functioning in the community. These services are provided to residents of Linn, Jones and Benton, Delaware, Buchanan, and Fayette counties and surrounding communities through service receipts from these counties as well as charges to patients and state and federal programs. The Community Mental Health Center for Mideastern Iowa merged with Abbe Center at June 30, 2015. This entity was an accredited community mental health center also and will continue to provide services to individuals in Johnson, Cedar and Iowa counties.

The Abbe Center for Community Care, Inc. (the Care Facility) provides housing and care for mentally disabled in need of supervision or assistance in their daily living. These services are provided to residents of Linn County and surrounding communities through per diem rates from Linn County, other counties of residence, state and federal programs, and charges to residents. The Care Facility ceased operations during fiscal year 2014.

The Penn Center, Inc. provides housing and care for mentally disabled in need of supervision or assistance in their daily living. These services are provided to residents of Delaware County and surrounding communities through per diem rates from Delaware County, other counties of residence, state and federal programs, and charges to residents.

Chatham Oaks, Inc. and its affiliate (Chatham) provide housing and care for mentally disabled in need of supervision or assistance in their daily living. These services are provided to residents of Johnson County and surrounding communities through per diem rates from Johnson County, other counties of residence, state and federal programs, and charges to residents. On April 1, 2013, the Organization acquired Chatham as part of its mission to promote mental health care. Chatham Oaks' affiliate is a partnership that is engaged in renting 18 low-income housing apartment units located in Iowa City. The rentals are subject to the requirements of the United State Department of Housing and Urban Development's Home Investment Partnership Program (HOME). Under the terms of the agreement, Chatham is the general manager and receives 0.01% of the net profits, net losses and tax credits.

Aging Services, Inc. provides assistance to the elderly in the Linn County area through adult day care services and home-based support services. These services are provided through cost-sharing between the individuals and funding sources. Kingston Hill became a program of Aging Services June 30, 2014. Kingston Hill operates independent housing for up to 25 older adults. Nursing care is not provided. Residents requiring nursing care are required to relocate and make arrangements to receive nursing care in another facility. Residents pay a monthly fee based on their ability to pay.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pentacrest, Inc. provides assistance to the elderly in the Johnson County area through adult day care services and home-based support services. These services are provided through cost-sharing between the individuals and funding sources.

Abbe Management Corporation was established for the purpose of managing and providing behavioral health care services in Linn County, Iowa and surrounding counties. These services are provided to the managed practices under a management fee arrangement.

The Organization's fiscal year ends on June 30. Significant accounting policies followed by the Organization are presented below.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of all aforementioned entities. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents

The Organization considers all liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted Cash

Restricted cash consists of funds that are held in trust for certain clients that participate in various programs of the Organization and the Organization's dental and health self-insurance plans.

Certificates of Deposit

Certificates of deposit consist of brokered and non-brokered certificates with original maturities of more than three months.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable are uncollateralized customer obligations which generally require payment within 30 days from the invoice date. Accounts receivable are stated at the invoice amount. Account balances with invoices over 90 days old are considered delinquent. Payments of accounts receivable are applied to the specific invoices identified on the customers remittance advice or, if unspecified, to the earliest unpaid invoices. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected. Management reviews individual accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current creditworthiness, estimates the portion, if any, of the balance that will not be collected. All accounts or portions thereof deemed to be uncollectible or to require an excessive collection cost are written off to the allowance for doubtful accounts. In addition, a general valuation allowance is established based principally on historical experience.

Inventory

Inventories are stated at the lower of cost or market with cost determined on a first-in, first-out (FIFO) basis.

Investments

Investments are generally carried at fair value and the investment income and net appreciation or depreciation in fair value of investments is reported as an increase or decrease in unrestricted, temporarily restricted, or permanently restricted net assets, based upon donor-imposed restrictions. Interest and dividends are recorded as income when earned.

The Organization holds a noncontrolling interest in a limited liability partnership. The partnership is accounted for using the equity method wherein the Organization's investment is increased or decreased by the Organization's share of earnings or losses, less distributions.

Property and Equipment

Purchased property and equipment are recorded at cost while contributed property and equipment are recorded at estimated fair value at the date of gift. Depreciation is computed primarily by the straight-line method over the estimated useful lives of the assets, which range from 5 to 39 years. The depreciation expense on assets acquired under capital leases is included with depreciation expense on owned assets. Items with a cost over \$2,500 and an expected useful life of more than one year are capitalized.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

Beneficial Interest in Assets Held by Community Foundations

Certain funds are held by various community foundations, in designated agency endowment funds, for the benefit of the Organization. The transactions with the foundations are deemed to be reciprocal and, therefore, the value of the funds held by the foundations are recognized as an asset (beneficial interest in assets held by community foundations) by the Organization.

Other designated funds held by The Greater Cedar Rapids Community Foundation (Foundation) for the benefit of the Organization have been established by separate donors who explicitly granted variance power to the Foundation in a nonreciprocal transfer. As such, these funds are not recognized as an asset by the Organization. The distributions received from the Foundation from these funds are recognized as grant revenue by the Organization upon receipt.

Debt Issuance Costs and Tax Credit Fees

Debt-issuance costs are being amortized on a straight-line basis over the 20-year term of the loan. Tax credit fees are being amortized on a straight-line basis over the remainder of a 15-year tax compliance period.

Net Assets

Net assets are classified based on the existence or absence of donor-imposed restrictions. The following is a description of each class:

Unrestricted Net Assets

Unrestricted net assets includes all net assets which are neither temporarily or permanently restricted.

Temporarily Restricted Net Assets

Temporarily restricted net assets includes contributed net assets for which donor-imposed time and purpose restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted. For donor-restricted endowment funds, the Organization classifies the portion of the fund in excess of the permanently restricted amount as temporarily restricted until appropriated for expenditure by the Organization.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets (Continued)

Permanently Restricted Net Assets

Permanently restricted net assets includes contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

Excess of Revenue over Expense

The consolidated statements of operations include excess of revenue over expense. Changes in unrestricted net assets that are excluded from excess of revenue over expense, consistent with industry practice, includes net assets released from restrictions for capital items.

Public Support and Revenue

Client and resident fee revenue is recognized, at estimated collectable amounts, in the period the services are performed, net of third-party contractual adjustments and foregone charges for services and supplies furnished to clients who cannot pay. Fees received in advance of services performed are recorded as deferred income.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor or by law. Amounts received which are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions.

Unconditional promises to give are recorded as receivables and as support when received. Conditional contributions are not recorded until all conditions have been satisfied, at which time they are recognized as support. Advances received on conditional contributions are recorded as refundable advances until all conditions have been satisfied.

Bequests are recorded when the probate court declares the will valid and the amount is determinable.

Contributions of donated goods are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Contributed property and equipment are recorded at estimated fair value at the date of gift. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Third-Party Reimbursement Agreements

Medicare

The Organization participates in the Medicare program. This federal program is administered by the Centers for Medicare and Medicaid Services (CMS).

Medicaid

The Organization also participates in the Medical Assistance Program Title XIX of the Social Security Act. Reimbursement is based on a predetermined rate formula under a contractual arrangement. Rate adjustments under this program are reflected in income when determinable.

Non-Operating Activities

The Organization recognizes the dissolution and addition of affiliates as non-operating activities.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Advertising

The Organization expenses advertising costs as incurred.

Income Taxes

With the exception of Abbe Management Corporation, all entities are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar section of the Iowa income tax law, which provides income tax exemption for corporations organized and operated exclusively for religious, charitable, or educational purposes. In addition, all entities are not classified as a private foundation.

All entities file returns in the U.S. federal jurisdiction. The Organization follows the Financial Accounting Standards Board's requirements for accounting for uncertain tax positions. The Organization determined that it was not required to record a liability related to uncertain tax positions.

For Abbe Management Corporation, deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are recognized only if it is more likely than not that a tax position will be realized or sustained upon examination by the relevant taxing authority. A tax position that meets the more likely than not recognition threshold is initially and subsequently measured as the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement with

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

a taxing authority that has full knowledge of all relevant information. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

Chatham's affiliate is taxed as a partnership in which all income and deductions are included in the tax returns of the general and limited partners. Therefore, no income tax provision is recorded by the partnership.

NOTE 2 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following unconditional promises to give as of June 30:

| | 2015 | 2014 |
|--------------------------------|-------------------|-------------------|
| United Way | \$ 817,589 | \$ 814,539 |
| Building Campaign Pledges | 2,094 | 4,000 |
| Total Contributions Receivable | <u>\$ 819,683</u> | <u>\$ 818,539</u> |
| | 2015 | 2014 |
| Amounts Due in: | | |
| Less than One Year | <u>\$ 819,683</u> | <u>\$ 818,539</u> |

NOTE 3 RECEIVABLES

Receivables consist of patient receivables reported as current assets by the Organization at June 30 consisted of the following:

| | 2015 | 2014 |
|---------------------------------------|---------------------|---------------------|
| Self Pay & Insurance | \$ 1,322,067 | \$ 963,998 |
| Medicare | 88,623 | 64,620 |
| Magellan | 401,292 | 292,606 |
| Medicaid | 961,588 | 690,417 |
| Total Receivables | \$ 2,773,570 | \$ 2,011,641 |
| Less: Allowance for Doubtful Accounts | (38,500) | (86,900) |
| Receivables, Net | <u>\$ 2,735,070</u> | <u>\$ 1,924,741</u> |

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 4 INVESTMENTS

Investments consist of the following as of June 30:

| | 2015 | 2014 |
|---------------------------|---------------------|---------------------|
| Money Market Funds | \$ 37,650 | \$ 54,007 |
| Equity Mutual Funds | 927,255 | 1,326,290 |
| Fixed Income Mutual Funds | 1,218,880 | 1,043,215 |
| Other, Carried at Equity | 2,110 | 2,365 |
| Total Investments | <u>\$ 2,185,895</u> | <u>\$ 2,425,877</u> |

NOTE 5 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2015 and 2014.

Mutual Funds and Marketable Equity Securities: Valued at last sales price, if listed on a national market or exchange, or if there is no sale and the market is still considered active, at the last transaction price before year-end. In less active markets or if prices are not current, the valuation is based on quoted prices for identical or similar assets.

Beneficial Interest In Assets Held By Community Foundations: Valued at the pro-rata share of the community foundations' investment pool. The unobservable inputs are the underlying assets at the community foundations and follow their investment policies.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2015:

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------------|-------------|-------------------|---------------------|
| Mutual Funds: | | | | |
| Value Funds | \$ 440,868 | \$ - | \$ - | \$ 440,868 |
| Index Funds | 292,942 | - | - | 292,942 |
| Growth Funds | 167,896 | - | - | 167,896 |
| Emerging Markets | 25,549 | - | - | 25,549 |
| Total Equity Funds | 927,255 | - | - | 927,255 |
| Fixed Income Funds | 1,218,880 | - | - | 1,218,880 |
| Beneficial Interest in Assets Held by Community Foundations | - | - | 182,379 | 182,379 |
| Total Assets at Fair Value | <u>\$ 2,146,135</u> | <u>\$ -</u> | <u>\$ 182,379</u> | <u>\$ 2,328,514</u> |

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2015:

| | |
|---|--------------------------|
| Balance, July 1, 2014 | \$ 173,644 |
| Change in Beneficial Interest in Assets Held by Community Foundations | <u>8,735</u> |
| Balance, June 30, 2015 | <u>\$ 182,379</u> |

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 5 FAIR VALUE MEASUREMENTS (CONTINUED)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of June 30, 2014:

| | Level 1 | Level 2 | Level 3 | Total |
|--|---------------------|-------------|-------------------|---------------------|
| Mutual Funds: | | | | |
| Value Funds | \$ 526,829 | \$ - | \$ - | \$ 526,829 |
| Index Funds | 184,966 | - | - | 184,966 |
| Growth Funds | 341,009 | - | - | 341,009 |
| International Funds | 192,398 | - | - | 192,398 |
| Emerging Markets | 22,824 | - | - | 22,824 |
| Commodity | 19,538 | - | - | 19,538 |
| Real Estate | 38,726 | - | - | 38,726 |
| Total Equity Funds | 1,326,290 | - | - | 1,326,290 |
| Fixed Income Funds | 1,043,215 | - | - | 1,043,215 |
| Beneficial Interest in Assets Held by Community Foundations | - | - | 173,644 | 173,644 |
| Total Assets at Fair Value | <u>\$ 2,369,505</u> | <u>\$ -</u> | <u>\$ 173,644</u> | <u>\$ 2,543,149</u> |

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2014:

| | |
|---|-------------------|
| Balance, July 1, 2013 | \$ 149,016 |
| Distributions | (616) |
| Change in Beneficial Interest in Assets Held by Community Foundations | <u>25,244</u> |
| Balance, June 30, 2014 | <u>\$ 173,644</u> |

NOTE 6 BENEFICIAL INTEREST IN ASSETS HELD BY COMMUNITY FOUNDATIONS

The Organization has contributed funds to various community foundations in order to establish permanent designated agency endowment funds. These funds are administered by the foundations for the benefit of Aging Services, Inc. (formerly Witwer Center, Inc.), Pentacrest, Inc., and Chatham Oaks, Inc. Control over the investment or reinvestment of these funds is exercised exclusively by the foundations. A portion of the funds' earnings are made available for distribution periodically. The balance of the funds at June 30, 2015 and 2014 was \$182,379 and \$173,644, respectively. During the years ended June 30, 2015 and 2014, the Organization received \$-0- and \$616, respectively, from these funds.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 DEBT

Line of Credit

The Organization has a line of credit agreement with a bank under which it can borrow up to \$1,000,000. Borrowings under this agreement, which expires in February 2016, are unsecured and bear interest at the bank's prime rate. There are no borrowings outstanding under this agreement at June 30, 2015 and 2014.

Due to Linn County

| <u>Description</u> | <u>2015</u> | <u>2014</u> |
|--|-------------------|-------------------|
| Obligation due to Linn County for the Center's initial reserve fund allocation. This obligation is due upon the Organization terminating certain services. The Center's contract with Linn County expires June 30, 2016, at which time the obligation will become due, unless the contract is renewed. | <u>\$ 102,842</u> | <u>\$ 102,842</u> |

Notes Payable

| <u>Description</u> | <u>2015</u> | <u>2014</u> |
|---|-------------|-------------|
| Note payable to the Iowa Finance Authority with a maximum face value of \$800,000, of which \$442,500 had been drawn at June 30, 2015. Interest accrues at 1% per annum. The note requires monthly installments of \$3,594. Final payment is due in April 2025 and the note is secured by land and building. The note is recorded net of imputed interest calculated using an interest rate of 5.25%. At June 30, 2015, the principal balance of this note, net of imputed interest, was \$336,470. The discount for imputed interest is being amortized based on the maturity date of the note in 2025. The unamortized discount totals \$67,253 at June 30, 2015. As part of the agreement, there are certain covenants that the Organization must comply with. | \$ 336,470 | \$ 362,610 |

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 DEBT (CONTINUED)

Notes Payable (Continued)

| <u>Description</u> | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Note payable to the Iowa Finance Authority with a maximum face value of \$665,000, of which \$537,153 had been drawn at June 30, 2015. Interest accrues at 1% per annum. The note requires monthly installments of \$3,166. Final payment is due in October 2029 and the note is secured by land and building. The note is recorded net of imputed interest calculated using an interest rate of 3.50%. At June 30, 2015, the principal balance of this note, net of imputed interest, was \$424,986. The discount for imputed interest is being amortized based on the maturity date of the note in 2029. The unamortized discount totals \$79,395 at June 30, 2015. As part of the agreement, there are certain covenants that the Organization must comply with. | 424,986 | 447,606 |
| Office facility purchased at 1510 Boyson Road with payable due to Boyson, LLC. The bond requires monthly installments of \$4,335, including interest at 6.75%. Final balloon payment is due in June 2018, secured by land and building. As part of the agreement, there are certain covenants that the Organization must comply with. | 506,522 | 523,717 |
| First mortgage payable, Iowa Department of Economic Development, HOME loan, due in annual installments of \$6,500, including interest at 1%, with the unpaid balance due November 2026. | 595,062 | 595,605 |
| Second mortgage payable, City of Iowa City, HOME loan, due in monthly installments of \$1,197, including interest at 3.25%, with the unpaid balance due December 2038. | 235,856 | 242,350 |
| Office facility purchased at 740 N. 15th Avenue, Hiawatha, Iowa with payable due to Cedar Rapids Bank & Trust. The loan initially requires 60 monthly installments of \$4,316, including interest at 4.30%, then 59 monthly payments of \$4,406, including interest at 4.610%. Final balloon payment is due in March 2024, secured by land and building. As part of the agreement, there are certain covenants that the Organization must comply with. | - | 684,536 |
| Total | 2,098,896 | 2,856,424 |
| Less: Current Portion of Notes Payable | (76,516) | (95,898) |
| Long-Term Portion of Notes Payable | <u>\$ 2,022,380</u> | <u>\$ 2,760,526</u> |

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 7 DEBT (CONTINUED)

Future maturities of notes payable are as follows for the years ended June 30:

| <u>Years</u> | <u>Amount</u> |
|--------------|---------------------|
| 2016 | \$ 76,516 |
| 2017 | 80,098 |
| 2018 | 531,714 |
| 2019 | 65,664 |
| 2020 | 68,403 |
| Later years | 1,276,501 |
| Total | <u>\$ 2,098,896</u> |

NOTE 8 NATURE AND AMOUNT OF PERMANENT AND TEMPORARY RESTRICTIONS

Temporarily restricted net assets are available for the following purposes as of June 30:

| | <u>2015</u> | <u>2014</u> |
|---|---------------------|---------------------|
| Subsequent Year's Operations | \$ 1,082,468 | \$ 1,128,317 |
| Subsequent Year's Facility Usage | 164,517 | 174,193 |
| Total Temporarily Restricted Net Assets | <u>\$ 1,246,985</u> | <u>\$ 1,302,510</u> |

Permanently restricted net assets include endowments totaling \$17,589, which must be invested in perpetuity, the income from which is expendable on the Organization's operations.

NOTE 9 DISCLOSURES ABOUT CERTAIN CONCENTRATIONS

The Organization has certain concentrations of support and revenue. For the years ended June 30, 2015 and 2014, the source and amount of the funds and the approximate percentage of total support and revenue from these sources are as follows:

| <u>Source</u> | <u>2015</u> | | <u>2014</u> | |
|---------------|---------------|-------------------|---------------|-------------------|
| | <u>Amount</u> | <u>Percentage</u> | <u>Amount</u> | <u>Percentage</u> |
| Medicaid | \$ 16,446,389 | 60% | \$ 13,467,859 | 51% |
| CMHCMEI | 2,302,721 | 8% | - | 0% |

Accounts receivable as of June 30, 2015 and 2014 includes \$1,044,490 and \$962,821, respectively, from Medicaid.

The Organization maintains deposits in three banks in excess of the federally insured amount. The total amount on deposit at these banks was \$7,862,957 at June 30, 2015. This consists of \$4,856,321 in repurchase agreements that are not insured by the FDIC, but are secured by the bank's bond portfolio. Management considers this to be adequate protection.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 10 CASH FLOW DISCLOSURES

Cash paid for interest was \$99,019 and \$91,975 for the years ended June 30, 2015 and 2014, respectively. Non-cash operating transactions during the years ended June 30, 2015 included the purchase of accounts receivables, prepaids, accounts payable and accruals for \$291,034, \$22,250, and \$161,090, respectively. Non-cash investing transactions during the years ended June 30, 2015 and 2014 included the purchase of \$437,184 and \$6,050 of property and equipment that was accrued in accounts payable at June 30, 2015 and 2014, respectively. The Center received non-cash contributions as of the year ended June 30, 2015 totaling \$2,302,721 respectively from the acquisition of Community Mental Health Center for Mid-Eastern Iowa (CMHCMEI).

NOTE 11 OBLIGATIONS UNDER OPERATING LEASES

The Mental Health Center leases administrative and office space under a lease expiring in June 2016. The lease requires monthly payments of \$8,333. The Center leases additional facility space under a lease expiring in December 2016. The lease requires monthly payments of \$5,604. Aging Services, Inc. leases facility space under a lease expiring in December 2016. The lease requires monthly payments of \$4,612.

The Organization is leasing various equipment under operating leases expiring between July 2015 and August 2018. The leases require monthly payments totaling \$10,560.

Lease expense for the years ended June 30, 2015 and 2014 was \$606,658 and \$634,200, respectively.

Future minimum lease payments for operating leases that have initial noncancelable lease terms in excess of one year are as follows for the years ended June 30:

| <u>Years</u> | <u>Amount</u> |
|--------------|-------------------|
| 2016 | \$ 547,338 |
| 2017 | 194,575 |
| 2018 | 88,544 |
| 2019 | 61,506 |
| Total | <u>\$ 891,963</u> |

NOTE 12 RETIREMENT PLANS

The Organization has a defined contribution retirement plan covering substantially all nonunion employees. Effective January 1, 2013, the Organization contributes 4% to the plan for each covered employee's compensation. The Organization's contributions totaled \$386,492 and \$349,909 for the years ended June 30, 2015 and 2014, respectively. These contributions consist of a 1% employer discretionary contribution and a 3% safe harbor contribution of each covered employee's compensation, with the medical doctor class limited to \$70,000 of maximum eligible compensation.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 12 RETIREMENT PLANS (CONTINUED)

The Care Facility also sponsors a retirement plan in accordance with a negotiated labor contract. The retirement plan covers all of their union employees. Contributions, which are based on varying rates for the hours worked by the employee, totaled \$-0- and \$37,733 for the years ended June 30, 2015 and 2014, respectively.

Chatham sponsors a 401(k) plan which is available to employees who have completed at least three months of continuous service and are 19 years of age or older. Eligible employees may contribute a portion of their eligible salary. Chatham may elect to match a portion of employee contributions, at the discretion of the board of directors. Chatham elected to make a matching contribution of 25% of employee contributions during the years ended June 30, 2015 and 2014. Total expense for the years ended June 30, 2015 and 2014 were \$42,137 and \$32,131, respectively.

NOTE 13 INCOME TAXES

Deferred tax assets consist of the following as of June 30:

| | 2015 | 2014 |
|---|-------------|-------------|
| Tax Benefit of Net Operating Loss Carryforwards | \$ 12,000 | \$ 19,000 |
| Valuation Allowance | (12,000) | (19,000) |
| Net Deferred Tax Asset | <u>\$ -</u> | <u>\$ -</u> |

A valuation allowance has been recorded on the deferred tax asset to reduce the total to an amount that management believes will ultimately be realized. Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that the carryforwards are available to reduce taxable income.

Abbe Management Corporation has approximately \$57,661 available in net operating loss carryforwards which can be offset against future taxable income of the subsidiary. The carryforwards expire in various amounts from 2015 to 2032.

NOTE 14 SELF-INSURED PLAN INFORMATION

Dental Plan

Dental claims of participants and dependents are processed by Employee Benefit Systems. The plan is responsible for paying dental benefits up to a pre-established maximum amount for any one participant or dependent. Claims in excess of this maximum are covered by a policy with an insurance company.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 14 SELF-INSURED PLAN INFORMATION (CONTINUED)

Dental Plan (Continued)

Plan obligations at June 30, 2015 for dental claims incurred by active participants but not reported at that date are calculated based on claims submitted subsequent to year-end and an estimate based on plan history for unremitted claims. There were no accrued plan obligations at June 30, 2015. Management believes this accrual is adequate based on information currently known. However, claim payments based on actual claims ultimately filed could differ materially from this estimate.

Medical Plan

The group health insurance plans offered by the agencies have an increased deductible to reduce the premium cost. The employer covers the difference between the original, smaller deductible and the actual plan deductible as claims are processed. This is a high deductible buy-down, and is not considered to be self-insured.

NOTE 15 PROPERTY LIEN

In consideration of a contribution received from the City of Iowa City for the purchase and establishment of a facility to provide dependent care services to low-income persons who are elderly or disabled, a lien in the amount of \$300,000 has been established in favor of the City as lien holder upon the Pentacrest property. Repayment of the \$300,000 is required if the Organization does not continue to provide these services for a period of 30 years. The remaining balance of the note to Iowa City is \$164,516. The lien will expire in June 2032.

NOTE 16 RELATED PARTY TRANSACTIONS

The Organization obtained professional services from a law firm that had representatives on the board of directors. Total expenses paid to this firm for the years ended June 30, 2015 and 2014 was \$44,183 and \$40,395, respectively.

Payments of these amounts were approved by management and the board of directors.

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 17 CHANGES IN CHATHAM OAKS, INC. AND AFFILIATE'S UNRESTRICTED NET ASSETS

Changes in consolidated unrestricted net assets are as follows for the years ended June 30, 2015 and 2014:

| | Total | Undesignated and Controlling Interest | Noncontrolling Interest |
|-------------------------------|---------------------|--|----------------------------|
| Balance, June 30, 2013 | \$ 1,220,702 | \$ 788,096 | \$ 432,606 |
| Change in Net Assets | <u>(46,075)</u> | <u>3,288</u> | <u>(49,363)</u> |
| Balance, June 30, 2014 | 1,174,627 | 791,384 | 383,243 |
| Change in Net Assets | <u>313,265</u> | <u>357,144</u> | <u>(43,879)</u> |
| Balance, June 30, 2015 | <u>\$ 1,487,892</u> | <u>\$ 1,148,528</u> | <u>\$ 339,364</u> |

NOTE 18 ACQUISITION OF COMMUNITY MENTAL HEALTH CENTER FOR MID-EASTERN IOWA

As of June 30, 2015, the Center acquired the Community Mental Health Center for Mid-Eastern Iowa (CMHCMEI). The Center has recognized the excess of the consideration transferred over the net assets acquired as a separate item in its 2015 consolidated statement of activities. The net identifiable assets of CMHCMEI consisted of the following at June 30, 2015:

| | |
|---|---------------------|
| Cash and Cash Equivalents | \$ 1,713,343 |
| Receivables | 291,034 |
| Prepaid Expenses | 22,250 |
| Property and Equipment, Net | 437,184 |
| Accounts Payable | (50,754) |
| Accrued Expenses | (110,336) |
| Total Identifiable Net Assets Contributed | <u>\$ 2,302,721</u> |

ABBE, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

NOTE 19 COMMITMENTS AND CONTINGENCIES

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. The Organization assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

Healthcare Legislation and Regulation

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. These laws and regulations include, but are not limited to, accreditation, licensure, and government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by health care providers. Violations of these laws and regulations could result in exclusion from government health care program participation, together with the imposition of significant fines and penalties, as well as significant repayment for past reimbursement for patient services received. While the Organization may become subject to similar regulatory review, management believes that the outcome of such regulatory review will not have a material adverse effect on the Organization's financial statements.

Management believes that the Organization is in substantial compliance with fraud and abuse as well as other applicable government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations is subject to government review and interpretations, as well as regulator actions unknown or unasserted at this time.

NOTE 20 SUBSEQUENT EVENTS

Management evaluated subsequent events through November 24, 2015, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2015, but prior to November 24, 2015 that provided additional evidence about conditions that existed at June 30, 2015, have been recognized in the financial statements for the year ended June 30, 2015. Events or transactions that provided evidence about conditions that did not exist at June 30, 2015 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended June 30, 2015.

SUPPLEMENTARY INFORMATION

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

| | Abbe, Inc. | Abbe Management Corporation | Abbe Center for Community Mental Health |
|---|----------------------------|-----------------------------------|---|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | \$ 5,119,276 | \$ 23,650 | \$ 1,777,748 |
| Restricted Cash | 33,082 | - | - |
| Certificates of Deposit | 759,579 | - | 751,484 |
| Accounts Receivable, Less Allowance of \$38,500 | 1,245 | - | 1,238,318 |
| Contributions Receivable, Current Portion | - | - | 200,000 |
| Due from Affiliates | - | 284,303 | 2,086,767 |
| Prepaid Expenses | 33,844 | 78 | 172,137 |
| Total Current Assets | <u>5,947,026</u> | <u>308,031</u> | <u>6,226,454</u> |
| LONG-TERM ASSETS | | | |
| Investments | 113,536 | - | 2,110 |
| Total Long-Term Assets | <u>113,536</u> | <u>-</u> | <u>2,110</u> |
| PROPERTY AND EQUIPMENT | | | |
| Land | 332,425 | - | 136,370 |
| Buildings and Improvements | 1,693,877 | - | 276,810 |
| Leasehold Improvements | - | 3,121 | 19,364 |
| Furniture and Equipment | 319,270 | 13,296 | 1,009,525 |
| Vehicles | - | - | 58,497 |
| Total | <u>2,345,572</u> | <u>16,417</u> | <u>1,500,566</u> |
| Less: Accumulated Depreciation | <u>(394,768)</u> | <u>(13,847)</u> | <u>(872,057)</u> |
| Total Property and Equipment | <u>1,950,804</u> | <u>2,570</u> | <u>628,509</u> |
| OTHER ASSETS | | | |
| Beneficial Interest in Assets Held by Community Foundations | - | - | - |
| Debt-Issuance Costs and Tax Credit Fees, Less Accumulated Amortization of \$16,598 | - | - | - |
| Total Other Assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Assets | <u><u>\$ 8,011,366</u></u> | <u><u>\$ 310,601</u></u> | <u><u>\$ 6,857,073</u></u> |

| <u>Penn Center, Inc.</u> | <u>Aging Services, Inc.</u> | <u>Pentacrest, Inc.</u> | <u>Chatham Oaks, Inc. & Affiliate</u> | <u>Total</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|----------------------------------|-------------------------------------|-----------------------------|---|----------------------|-----------------------|----------------------|
| \$ 29,890 | \$ 343,192 | \$ 23,403 | \$ 673,842 | \$ 7,991,001 | \$ - | \$ 7,991,001 |
| 17,385 | - | 1,587 | 51,666 | 103,720 | - | 103,720 |
| - | 459,770 | 10,967 | 311,920 | 2,293,720 | - | 2,293,720 |
| 760,237 | 319,199 | 46,627 | 369,444 | 2,735,070 | - | 2,735,070 |
| - | 590,089 | 29,594 | - | 819,683 | - | 819,683 |
| 648,528 | 1,292,321 | 289,939 | - | 4,601,858 | (4,601,858) | - |
| 150,482 | 38,899 | 3,374 | 24,442 | 423,256 | - | 423,256 |
| <u>1,606,522</u> | <u>3,043,470</u> | <u>405,491</u> | <u>1,431,314</u> | <u>18,968,308</u> | <u>(4,601,858)</u> | <u>14,366,450</u> |
| - | 2,183,785 | - | - | 2,299,431 | (113,536) | 2,185,895 |
| - | <u>2,183,785</u> | - | - | <u>2,299,431</u> | <u>(113,536)</u> | <u>2,185,895</u> |
| - | 199,223 | 150,000 | - | 818,018 | - | 818,018 |
| - | 5,078,366 | 1,433,465 | 1,015,000 | 9,497,518 | - | 9,497,518 |
| 55,617 | 39,591 | - | 190,169 | 307,862 | - | 307,862 |
| 149,058 | 936,620 | 81,354 | 102,823 | 2,611,946 | (55,449) | 2,556,497 |
| 265,970 | 147,471 | - | 130,207 | 602,145 | - | 602,145 |
| <u>470,645</u> | <u>6,401,271</u> | <u>1,664,819</u> | <u>1,438,199</u> | <u>13,837,489</u> | <u>(55,449)</u> | <u>13,782,040</u> |
| (275,060) | (3,336,982) | (671,676) | (340,147) | (5,904,537) | - | (5,904,537) |
| <u>195,585</u> | <u>3,064,289</u> | <u>993,143</u> | <u>1,098,052</u> | <u>7,932,952</u> | <u>(55,449)</u> | <u>7,877,503</u> |
| - | 32,860 | 11,681 | 137,838 | 182,379 | - | 182,379 |
| - | 13,748 | - | 8,234 | 21,982 | - | 21,982 |
| - | <u>46,608</u> | <u>11,681</u> | <u>146,072</u> | <u>204,361</u> | - | <u>204,361</u> |
| <u>\$ 1,802,107</u> | <u>\$ 8,338,152</u> | <u>\$ 1,410,315</u> | <u>\$ 2,675,438</u> | <u>\$ 29,405,052</u> | <u>\$ (4,770,843)</u> | <u>\$ 24,634,209</u> |

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FINANCIAL POSITION (CONTINUED)
JUNE 30, 2015

| | Abbe, Inc. | Abbe Management Corporation | Abbe Center for Community Mental Health |
|--|----------------------------|-----------------------------------|---|
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 75,094 | \$ 196,746 | \$ 237,456 |
| Accrued Expenses: | | | |
| Accrued Vacations | 152,271 | - | 421,368 |
| Other Accrued Expenses | 110,895 | - | 253,249 |
| Due to Affiliates | 4,601,858 | - | - |
| Resident Trust Funds | - | - | - |
| Deferred Income | - | 319 | 63,961 |
| Notes Payable, Current Maturities | 18,392 | - | - |
| Due to Linn County | - | - | 102,842 |
| Total Current Liabilities | <u>4,958,510</u> | <u>197,065</u> | <u>1,078,876</u> |
| LONG-TERM LIABILITIES | | | |
| Notes Payable, Less Current Maturities Above | <u>488,130</u> | <u>-</u> | <u>-</u> |
| Total Liabilities | 5,446,640 | 197,065 | 1,078,876 |
| NET ASSETS | | | |
| Unrestricted | 2,564,726 | (192,206) | 5,578,197 |
| Temporarily Restricted | - | - | 200,000 |
| Common Stock | - | 40,000 | - |
| Additional Paid-In Capital | - | 265,742 | - |
| Permanently Restricted | - | - | - |
| Total Net Assets | <u>2,564,726</u> | <u>113,536</u> | <u>5,778,197</u> |
| Total Liabilities and Net Assets | <u><u>\$ 8,011,366</u></u> | <u><u>\$ 310,601</u></u> | <u><u>\$ 6,857,073</u></u> |

| <u>Penn Center, Inc.</u> | <u>Aging Services, Inc.</u> | <u>Pentacrest, Inc.</u> | <u>Chatham Oaks, Inc. & Affiliate</u> | <u>Total</u> | <u>Eliminations</u> | <u>Consolidated</u> |
|----------------------------------|-------------------------------------|-----------------------------|---|----------------------|-----------------------|----------------------|
| \$ 34,846 | \$ 49,844 | \$ 19,265 | \$ 68,093 | \$ 681,344 | \$ - | \$ 681,344 |
| 188,927 | 68,318 | 3,629 | 56,879 | 891,392 | - | 891,392 |
| 253,350 | 100,342 | 21,069 | 144,400 | 883,305 | - | 883,305 |
| - | - | - | - | 4,601,858 | (4,601,858) | - |
| 23,141 | - | 1,570 | 1,012 | 25,723 | - | 25,723 |
| - | - | - | - | 64,280 | - | 64,280 |
| - | 27,412 | 23,398 | 7,314 | 76,516 | - | 76,516 |
| - | - | - | - | 102,842 | - | 102,842 |
| <u>500,264</u> | <u>245,916</u> | <u>68,931</u> | <u>277,698</u> | <u>7,327,260</u> | <u>(4,601,858)</u> | <u>2,725,402</u> |
| - | 309,058 | 401,588 | 823,604 | 2,022,380 | - | 2,022,380 |
| 500,264 | 554,974 | 470,519 | 1,101,302 | 9,349,640 | (4,601,858) | 4,747,782 |
| 1,301,843 | 7,086,747 | 657,897 | 1,487,892 | 18,485,096 | 136,757 | 18,621,853 |
| - | 678,842 | 281,899 | 86,244 | 1,246,985 | - | 1,246,985 |
| - | - | - | - | 40,000 | (40,000) | - |
| - | - | - | - | 265,742 | (265,742) | - |
| - | 17,589 | - | - | 17,589 | - | 17,589 |
| <u>1,301,843</u> | <u>7,783,178</u> | <u>939,796</u> | <u>1,574,136</u> | <u>20,055,412</u> | <u>(168,985)</u> | <u>19,886,427</u> |
| <u>\$ 1,802,107</u> | <u>\$ 8,338,152</u> | <u>\$ 1,410,315</u> | <u>\$ 2,675,438</u> | <u>\$ 29,405,052</u> | <u>\$ (4,770,843)</u> | <u>\$ 24,634,209</u> |

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF ACTIVITIES
JUNE 30, 2015

| | Abbe, Inc. | Abbe Management Corporation | Abbe Center for Community Mental Health |
|---|----------------------------|-----------------------------------|---|
| PUBLIC SUPPORT AND REVENUE | | | |
| Client and Resident Fees | \$ - | \$ - | \$ 10,423,142 |
| Administrative Services | 1,317,450 | - | - |
| Other Service Fees | - | 686,656 | 182,833 |
| Grants | 15,000 | - | 695,240 |
| Auxiliary | - | - | - |
| Net Investment Income | 6,075 | 423 | 5,766 |
| Contributions | 16,350 | - | 4,817 |
| Rent | 165,905 | - | - |
| Gain on Disposal of Fixed Assets | - | - | 4,500 |
| Other | 18,623 | - | 22,267 |
| Equity in Net Income (Loss) of Investee | 35,353 | - | (820) |
| Total Public Support and Revenue | <u>1,574,756</u> | <u>687,079</u> | <u>11,337,745</u> |
| EXPENSE | | | |
| Program Services: | | | |
| Mental Health Services | 3,271 | 607,137 | 9,450,738 |
| Care Facilities | - | - | - |
| Services for the Aging | - | - | - |
| Total Program Services | <u>3,271</u> | <u>607,137</u> | <u>9,450,738</u> |
| Supporting Activities: | | | |
| Management and General | 1,522,441 | 44,590 | 526,265 |
| Fundraising | - | - | - |
| Total Supporting Activities | <u>1,522,441</u> | <u>44,590</u> | <u>526,265</u> |
| Total Expenses | <u>1,525,712</u> | <u>651,727</u> | <u>9,977,003</u> |
| INCOME (LOSS) FROM OPERATIONS | 49,044 | 35,352 | 1,360,742 |
| NON-OPERATING REVENUE (EXPENSE) | | | |
| Unrealized Gain (Loss) on Investments | - | - | - |
| Total Non-Operating Revenue (Expense) | <u>-</u> | <u>-</u> | <u>-</u> |
| EXCESS (DEFICIT) OF REVENUE OVER EXPENSE | 49,044 | 35,352 | 1,360,742 |
| Gain on Acquisition | - | - | 2,302,721 |
| CHANGE IN NET ASSETS | 49,044 | 35,352 | 3,663,463 |
| Net Assets - Beginning of Year | <u>2,515,682</u> | <u>78,184</u> | <u>2,114,734</u> |
| NET ASSETS - END OF YEAR | <u><u>\$ 2,564,726</u></u> | <u><u>\$ 113,536</u></u> | <u><u>\$ 5,778,197</u></u> |

| Penn Center, Inc. | Aging Services, Inc. | Pentacrest, Inc. | Chatham Oaks, Inc. & Affiliate | Total | Eliminations | Consolidated |
|-------------------------|----------------------------|---------------------|--------------------------------------|----------------------|---------------------|----------------------|
| \$ 7,405,228 | \$ 2,392,495 | \$ 552,734 | \$ 3,703,847 | \$ 24,477,446 | \$ - | \$ 24,477,446 |
| - | - | - | - | 1,317,450 | (1,317,450) | - |
| - | - | - | - | 869,489 | - | 869,489 |
| - | 883,289 | 33,500 | - | 1,627,029 | - | 1,627,029 |
| 54,075 | - | - | 56,360 | 110,435 | - | 110,435 |
| 761 | 48,153 | 694 | 3,709 | 65,581 | - | 65,581 |
| 6,170 | 85,445 | 86,748 | - | 199,530 | (4,246) | 195,284 |
| - | 16,189 | 19,770 | - | 201,864 | (123,417) | 78,447 |
| 4,500 | - | - | 18,138 | 27,138 | - | 27,138 |
| 11,661 | 6,238 | 5,408 | 4,882 | 69,079 | (23,340) | 45,739 |
| - | - | - | - | 34,533 | (35,353) | (820) |
| <u>7,482,395</u> | <u>3,431,809</u> | <u>698,854</u> | <u>3,786,936</u> | <u>28,999,574</u> | <u>(1,503,806)</u> | <u>27,495,768</u> |
| - | - | - | - | 10,061,146 | (82,635) | 9,978,511 |
| 6,811,590 | - | - | 3,346,115 | 10,157,705 | (51,202) | 10,106,503 |
| - | 3,548,578 | 563,135 | - | 4,111,713 | (17,167) | 4,094,546 |
| <u>6,811,590</u> | <u>3,548,578</u> | <u>563,135</u> | <u>3,346,115</u> | <u>24,330,564</u> | <u>(151,004)</u> | <u>24,179,560</u> |
| 324,419 | 264,619 | 62,584 | 153,136 | 2,898,054 | (1,317,450) | 1,580,604 |
| - | 18,991 | 4,341 | - | 23,332 | - | 23,332 |
| <u>324,419</u> | <u>283,610</u> | <u>66,925</u> | <u>153,136</u> | <u>2,921,386</u> | <u>(1,317,450)</u> | <u>1,603,936</u> |
| <u>7,136,009</u> | <u>3,832,188</u> | <u>630,060</u> | <u>3,499,251</u> | <u>27,251,950</u> | <u>(1,468,454)</u> | <u>25,783,496</u> |
| 346,386 | (400,379) | 68,794 | 287,685 | 1,747,624 | (35,352) | 1,712,272 |
| - | 26,880 | 759 | 8,662 | 36,301 | - | 36,301 |
| <u>-</u> | <u>26,880</u> | <u>759</u> | <u>8,662</u> | <u>36,301</u> | <u>-</u> | <u>36,301</u> |
| 346,386 | (373,499) | 69,553 | 296,347 | 1,783,925 | (35,352) | 1,748,573 |
| - | - | - | - | 2,302,721 | - | 2,302,721 |
| 346,386 | (373,499) | 69,553 | 296,347 | 4,086,646 | (35,352) | 4,051,294 |
| <u>955,457</u> | <u>8,156,677</u> | <u>870,243</u> | <u>1,277,789</u> | <u>15,968,766</u> | <u>(133,633)</u> | <u>15,835,133</u> |
| <u>\$ 1,301,843</u> | <u>\$ 7,783,178</u> | <u>\$ 939,796</u> | <u>\$ 1,574,136</u> | <u>\$ 20,055,412</u> | <u>\$ (168,985)</u> | <u>\$ 19,886,427</u> |

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
PROGRAM SERVICES
JUNE 30, 2015

| | Abbe, Inc. | Abbe Management Corporation | Abbe Center for Community Mental Health | Penn Center, Inc. |
|---------------------------------|-----------------|-----------------------------------|---|-------------------------|
| Personnel: | | | | |
| Wages and Salaries | \$ - | \$ 278,174 | \$ 6,064,662 | \$ 4,176,704 |
| Employee Benefits | - | 46,965 | 935,225 | 1,121,886 |
| Payroll Taxes | - | 23,043 | 411,175 | 296,839 |
| | - | 348,182 | 7,411,062 | 5,595,429 |
| Resident Services: | | | | |
| Food | - | - | - | 155,995 |
| Pharmacy and Medical Supplies | - | - | - | 27,278 |
| Other Services | - | - | - | 48,255 |
| | - | - | - | 231,528 |
| Donations | 3,271 | 1,750 | - | - |
| Administrative fees | - | - | - | - |
| Professional Fees | - | 1,660 | 24,138 | 4,536 |
| Consulting Fees | - | 19,093 | 673,911 | 1,724 |
| Advertising | - | 20,383 | 23,906 | 18,594 |
| Supplies | - | 23,759 | 76,868 | 49,647 |
| Telephone Services | - | 14,975 | 112,834 | 42,859 |
| Computer Services | - | 60,506 | 110,620 | 73,849 |
| Occupancy | - | 92,773 | 482,595 | 456,739 |
| Travel | - | - | 184,381 | 112,484 |
| Interest | - | - | - | - |
| Depreciation and Amortization | - | 875 | 120,300 | 44,587 |
| Insurance | - | 3,828 | 91,274 | 58,812 |
| Repairs | - | 11,916 | 42,839 | 106,134 |
| Staff Development | - | - | 21,313 | 7,982 |
| Dues and Subscriptions | - | - | 7,521 | 2,541 |
| Provision for Doubtful Accounts | - | - | - | - |
| Fundraising Supplies | - | - | - | - |
| Other | - | 7,437 | 67,176 | 4,145 |
| | <u>3,271</u> | <u>258,955</u> | <u>2,039,676</u> | <u>984,633</u> |
| Total Program Services | <u>\$ 3,271</u> | <u>\$ 607,137</u> | <u>\$ 9,450,738</u> | <u>\$ 6,811,590</u> |

| Aging Services, Inc. | Pentacrest, Inc. | Chatham Oaks, Inc. & Affiliate | Total | Eliminations | Consolidated |
|----------------------------|---------------------|--------------------------------------|----------------------|---------------------|----------------------|
| \$ 1,761,623 | \$ 251,496 | \$ 1,885,133 | \$ 14,417,792 | \$ - | \$ 14,417,792 |
| 371,259 | 51,366 | 375,871 | 2,902,572 | - | 2,902,572 |
| 132,012 | 18,795 | 135,575 | 1,017,439 | - | 1,017,439 |
| <u>2,264,894</u> | <u>321,657</u> | <u>2,396,579</u> | <u>18,337,803</u> | <u>-</u> | <u>18,337,803</u> |
| 42,806 | 40,196 | 158,660 | 397,657 | - | 397,657 |
| - | - | 9,818 | 37,096 | - | 37,096 |
| 628 | 21,989 | 71,822 | 142,694 | - | 142,694 |
| <u>43,434</u> | <u>62,185</u> | <u>240,300</u> | <u>577,447</u> | <u>-</u> | <u>577,447</u> |
| - | - | - | 5,021 | (5,021) | - |
| - | - | - | - | - | - |
| 23,168 | 230 | 22,872 | 76,604 | - | 76,604 |
| 13,289 | 6,352 | 28,099 | 742,468 | (8,090) | 734,378 |
| 15,438 | 2,096 | 33,954 | 114,371 | - | 114,371 |
| 184,554 | 11,712 | 78,544 | 425,084 | - | 425,084 |
| 29,778 | 3,797 | 31,301 | 235,544 | - | 235,544 |
| 28,751 | 4,024 | 38,073 | 315,823 | - | 315,823 |
| 186,762 | 33,921 | 193,981 | 1,446,771 | (123,417) | 1,323,354 |
| 132,030 | 981 | 22,865 | 452,741 | - | 452,741 |
| - | - | - | - | - | - |
| 294,668 | 79,907 | 160,013 | 700,350 | - | 700,350 |
| 42,374 | 8,037 | 31,887 | 236,212 | - | 236,212 |
| 225,027 | 20,811 | 59,448 | 466,175 | - | 466,175 |
| 2,527 | 647 | 3,791 | 36,260 | - | 36,260 |
| 4,087 | 2,375 | 3,221 | 19,745 | - | 19,745 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 57,797 | 4,403 | 1,187 | 142,145 | (14,476) | 127,669 |
| <u>1,240,250</u> | <u>179,293</u> | <u>709,236</u> | <u>5,415,314</u> | <u>(151,004)</u> | <u>5,264,310</u> |
| <u>\$ 3,548,578</u> | <u>\$ 563,135</u> | <u>\$ 3,346,115</u> | <u>\$ 24,330,564</u> | <u>\$ (151,004)</u> | <u>\$ 24,179,560</u> |

ABBE, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
SUPPORTING ACTIVITIES
JUNE 30, 2015

| | Abbe, Inc. | Abbe Management Corporation | Abbe Center for Community Mental Health | Penn Center, Inc. |
|---------------------------------|---------------------|-----------------------------------|---|-------------------------|
| Personnel: | | | | |
| Wages and Salaries | \$ 657,424 | \$ - | \$ - | \$ - |
| Employee Benefits | 189,617 | - | - | - |
| Payroll Taxes | 51,906 | - | - | - |
| | <u>898,947</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Administrative Fees | - | 44,590 | 517,279 | 324,001 |
| Professional Fees | 131,950 | - | - | - |
| Consulting Fees | 6,178 | - | - | - |
| Advertising | 1,604 | - | - | - |
| Supplies | 55,326 | - | - | - |
| Telephone Services | 30,743 | - | - | - |
| Computer Services | 84,461 | - | - | - |
| Occupancy | 109,005 | - | - | - |
| Travel | 15,677 | - | - | - |
| Interest | 37,035 | - | - | - |
| Depreciation and Amortization | 75,851 | - | - | - |
| Insurance | 12,750 | - | - | - |
| Repairs | 39,866 | - | - | - |
| Staff Development | 13,232 | - | - | - |
| Dues and Subscriptions | 2,780 | - | - | - |
| Provision for Doubtful Accounts | - | - | 8,986 | 418 |
| Fundraising Supplies | - | - | - | - |
| Other | 7,036 | - | - | - |
| | <u>623,494</u> | <u>44,590</u> | <u>526,265</u> | <u>324,419</u> |
| Total Supporting Activities | <u>\$ 1,522,441</u> | <u>\$ 44,590</u> | <u>\$ 526,265</u> | <u>\$ 324,419</u> |

| Aging Services, Inc. | Pentacrest, Inc. | Chatham Oaks, Inc. & Affiliate | Total | Eliminations | Consolidated |
|----------------------------|---------------------|--------------------------------------|--------------|----------------|--------------|
| \$ - | \$ - | \$ - | \$ 657,424 | \$ - | \$ 657,424 |
| - | - | - | 189,617 | - | 189,617 |
| - | - | - | 51,906 | - | 51,906 |
| - | - | - | 898,947 | - | 898,947 |
| 247,170 | 46,010 | 138,400 | 1,317,450 | (1,317,450) | - |
| - | - | - | 131,950 | - | 131,950 |
| - | - | - | 6,178 | - | 6,178 |
| - | - | - | 1,604 | - | 1,604 |
| - | - | - | 55,326 | - | 55,326 |
| - | - | - | 30,743 | - | 30,743 |
| - | - | - | 84,461 | - | 84,461 |
| - | - | - | 109,005 | - | 109,005 |
| - | - | - | 15,677 | - | 15,677 |
| 16,984 | 15,374 | 13,814 | 83,207 | - | 83,207 |
| - | - | - | 75,851 | - | 75,851 |
| - | - | - | 12,750 | - | 12,750 |
| - | - | - | 39,866 | - | 39,866 |
| - | - | - | 13,232 | - | 13,232 |
| - | - | - | 2,780 | - | 2,780 |
| 465 | 1,200 | 922 | 11,991 | - | 11,991 |
| 18,991 | 4,341 | - | 23,332 | - | 23,332 |
| - | - | - | 7,036 | - | 7,036 |
| 283,610 | 66,925 | 153,136 | 2,022,439 | (1,317,450) | 704,989 |
| \$ 283,610 | \$ 66,925 | \$ 153,136 | \$ 2,921,386 | \$ (1,317,450) | \$ 1,603,936 |

CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

| | Chatham Oaks, Inc. | Affiliate | Total | Eliminations | Consolidated |
|---|-----------------------|--------------|--------------|--------------|--------------|
| ASSETS | | | | | |
| CURRENT ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 500,263 | \$ 173,579 | \$ 673,842 | \$ - | \$ 673,842 |
| Restricted Cash | 14,922 | 36,744 | 51,666 | - | 51,666 |
| Certificates of Deposit | 311,920 | - | 311,920 | - | 311,920 |
| Accounts Receivable, Less Allowance of \$10,000 | 369,444 | - | 369,444 | - | 369,444 |
| Prepaid Expenses | 23,831 | 611 | 24,442 | - | 24,442 |
| Total Current Assets | 1,220,380 | 210,934 | 1,431,314 | - | 1,431,314 |
| LONG-TERM ASSETS | | | | | |
| Investments | 54,075 | - | 54,075 | (54,075) | - |
| Total Long-Term Assets | 54,075 | - | 54,075 | (54,075) | - |
| PROPERTY AND EQUIPMENT | | | | | |
| Buildings and Improvements | - | 1,015,000 | 1,015,000 | - | 1,015,000 |
| Leasehold Improvements | 111,017 | 79,152 | 190,169 | - | 190,169 |
| Furniture and Equipment | 91,670 | 11,153 | 102,823 | - | 102,823 |
| Vehicles | 130,207 | - | 130,207 | - | 130,207 |
| Total | 332,894 | 1,105,305 | 1,438,199 | - | 1,438,199 |
| Less: Accumulated Depreciation | (203,928) | (136,219) | (340,147) | - | (340,147) |
| Total Property and Equipment | 128,966 | 969,086 | 1,098,052 | - | 1,098,052 |
| OTHER ASSETS | | | | | |
| Beneficial Interest in Assets Held by Community Foundations | 137,838 | - | 137,838 | - | 137,838 |
| Debt-Issuance Costs and Tax Credit Fees, Less: Accumulated Amortization of \$2,391 | - | 8,234 | 8,234 | - | 8,234 |
| Total Other Assets | 137,838 | 8,234 | 146,072 | - | 146,072 |
| Total Assets | \$ 1,541,259 | \$ 1,188,254 | \$ 2,729,513 | \$ (54,075) | \$ 2,675,438 |

| | Chatham Oaks, Inc. | Affiliate | Total | Eliminations | Consolidated |
|--|-----------------------|--------------|--------------|--------------|--------------|
| LIABILITIES AND NET ASSETS | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts Payable | \$ 66,941 | \$ 1,152 | \$ 68,093 | \$ - | \$ 68,093 |
| Accrued Expenses: | | | | | |
| Accrued Vacations | 56,879 | - | 56,879 | - | 56,879 |
| Other Accrued Expenses | 124,769 | 19,631 | 144,400 | - | 144,400 |
| Resident Trust Funds | 1,012 | - | 1,012 | - | 1,012 |
| Notes Payable, Current Maturities | - | 7,314 | 7,314 | - | 7,314 |
| Total Current Liabilities | 249,601 | 28,097 | 277,698 | - | 277,698 |
| LONG-TERM LIABILITIES | | | | | |
| Notes Payable, Less Current Maturities Above | - | 823,604 | 823,604 | - | 823,604 |
| Total Liabilities | 249,601 | 851,701 | 1,101,302 | - | 1,101,302 |
| NET ASSETS | | | | | |
| Unrestricted | 1,205,414 | 336,553 | 1,541,967 | (54,075) | 1,487,892 |
| Temporarily Restricted | 86,244 | - | 86,244 | - | 86,244 |
| Total Net Assets | 1,291,658 | 336,553 | 1,628,211 | (54,075) | 1,574,136 |
| Total Liabilities and Net Assets | \$ 1,541,259 | \$ 1,188,254 | \$ 2,729,513 | \$ (54,075) | \$ 2,675,438 |

**CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

| | Chatham Oaks, Inc. | Affiliate | Total | Eliminations | Consolidated |
|---|-----------------------|-------------------|---------------------|--------------------|---------------------|
| PUBLIC SUPPORT AND REVENUE | | | | | |
| Client and Resident Fees | \$ 3,597,798 | \$ 106,049 | \$ 3,703,847 | \$ - | \$ 3,703,847 |
| Auxiliary | 56,360 | - | 56,360 | - | 56,360 |
| Net Investment Income | 3,642 | 67 | 3,709 | - | 3,709 |
| Other | 4,882 | - | 4,882 | - | 4,882 |
| Total Public Support and Revenue | <u>3,662,682</u> | <u>106,116</u> | <u>3,768,798</u> | <u>-</u> | <u>3,768,798</u> |
| EXPENSE | | | | | |
| Program Services: | | | | | |
| Care Facilities | 3,209,944 | 136,171 | 3,346,115 | - | 3,346,115 |
| Supporting Activities: | | | | | |
| Management and General | 139,312 | 13,824 | 153,136 | - | 153,136 |
| Total Expenses | <u>3,349,256</u> | <u>149,995</u> | <u>3,499,251</u> | <u>-</u> | <u>3,499,251</u> |
| INCOME (LOSS) FROM OPERATIONS | 313,426 | (43,879) | 269,547 | - | 269,547 |
| NON-OPERATING REVENUE (EXPENSE) | | | | | |
| Gain on Disposal of Fixed Assets | 18,138 | - | 18,138 | - | 18,138 |
| Unrealized Gain (Loss) on Investments | 8,662 | - | 8,662 | - | 8,662 |
| Total Non-Operating Revenue (Expense) | <u>26,800</u> | <u>-</u> | <u>26,800</u> | <u>-</u> | <u>26,800</u> |
| EXCESS (DEFICIT) OF REVENUE OVER EXPENSE | 340,226 | (43,879) | 296,347 | - | 296,347 |
| Net Assets - Beginning of Year | <u>951,432</u> | <u>380,432</u> | <u>1,331,864</u> | <u>(54,075)</u> | <u>1,277,789</u> |
| NET ASSETS - END OF YEAR | <u>\$ 1,291,658</u> | <u>\$ 336,553</u> | <u>\$ 1,628,211</u> | <u>\$ (54,075)</u> | <u>\$ 1,574,136</u> |

CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
PROGRAM SERVICES
YEAR ENDED JUNE 30, 2015

| | Chatham Oaks, Inc. | Affiliate | Total | Eliminations | Consolidated |
|-------------------------------|-----------------------|-------------------|---------------------|--------------|---------------------|
| Personnel: | | | | | |
| Wages and Salaries | \$ 1,877,993 | \$ 7,140 | \$ 1,885,133 | \$ - | \$ 1,885,133 |
| Employee Benefits | 375,484 | 387 | 375,871 | - | 375,871 |
| Payroll Taxes | 134,908 | 667 | 135,575 | - | 135,575 |
| | <u>2,388,385</u> | <u>8,194</u> | <u>2,396,579</u> | <u>-</u> | <u>2,396,579</u> |
| Resident Services | | | | | |
| Food | 158,660 | - | 158,660 | - | 158,660 |
| Pharmacy and Medical Supplies | 9,818 | - | 9,818 | - | 9,818 |
| Other Services | <u>71,822</u> | <u>-</u> | <u>71,822</u> | <u>-</u> | <u>71,822</u> |
| | <u>240,300</u> | <u>-</u> | <u>240,300</u> | <u>-</u> | <u>240,300</u> |
| Professional Fees | 5,986 | 16,886 | 22,872 | - | 22,872 |
| Consulting Fees | 28,099 | - | 28,099 | - | 28,099 |
| Advertising | 33,954 | - | 33,954 | - | 33,954 |
| Supplies | 77,397 | 1,147 | 78,544 | - | 78,544 |
| Telephone Services | 24,660 | 6,641 | 31,301 | - | 31,301 |
| Computer Services | 37,451 | 622 | 38,073 | - | 38,073 |
| Occupancy | 161,479 | 32,502 | 193,981 | - | 193,981 |
| Travel | 22,865 | - | 22,865 | - | 22,865 |
| Interest | - | - | - | - | - |
| Depreciation and Amortization | 101,507 | 58,506 | 160,013 | - | 160,013 |
| Insurance | 24,059 | 7,828 | 31,887 | - | 31,887 |
| Repairs | 55,603 | 3,845 | 59,448 | - | 59,448 |
| Staff Development | 3,791 | - | 3,791 | - | 3,791 |
| Dues and Subscriptions | 3,221 | - | 3,221 | - | 3,221 |
| Other | <u>1,187</u> | <u>-</u> | <u>1,187</u> | <u>-</u> | <u>1,187</u> |
| | <u>581,259</u> | <u>127,977</u> | <u>709,236</u> | <u>-</u> | <u>709,236</u> |
| Total Program Services | <u>\$ 3,209,944</u> | <u>\$ 136,171</u> | <u>\$ 3,346,115</u> | <u>\$ -</u> | <u>\$ 3,346,115</u> |

CHATHAM OAKS, INC. AND AFFILIATE
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
SUPPORTING ACTIVITIES
YEAR ENDED JUNE 30, 2015

| | Chatham Oaks, Inc. | Affiliate | Total | Eliminations | Consolidated |
|---------------------------------|-----------------------|------------------|-------------------|--------------|-------------------|
| Administrative Fees | \$ 138,400 | - | \$ 138,400 | \$ - | \$ 138,400 |
| Interest | - | 13,814 | 13,814 | - | 13,814 |
| Provision for Doubtful Accounts | 912 | 10 | 922 | - | 922 |
| | <u>139,312</u> | <u>13,824</u> | <u>153,136</u> | <u>-</u> | <u>153,136</u> |
| Total Supporting Activities | <u>\$ 139,312</u> | <u>\$ 13,824</u> | <u>\$ 153,136</u> | <u>\$ -</u> | <u>\$ 153,136</u> |